TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 81 – HB 298

February 10, 2011

SUMMARY OF BILL: Reinstates certain employee benefits to commissioned officers who were transferred from the Department of Safety (DOS) to the Department of Revenue (DOR) pursuant to Executive Order No. 36. The benefits shall be reinstated from the date of transfer, which was July 1, 2006.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $252,900/One-Time
$57,700/Recurring

Increase Federal Expenditures - $12,000/One-Time
$2,400/Recurring

Assumptions:

- According to DOR and the Department of Human Resources (DOHR), six commissioned officers were transferred from DOS to DOR under Executive Order 36.
- Based on information provided by DOR and DOHR, the increase in one-time state expenditures for reimbursing the six commissioned officers for lost wages between July 1, 2006, and June 30, 2011, is $216,900. The increase in recurring state expenditures for salary adjustments beginning with FY11-12 is $50,500 per year.
- Based on information provided by the Tennessee Consolidated Retirement System (TCRS), the retirement plan will require approximately $48,000 to make the commissioned officers whole for lost retirement benefits attributable to reduced salaries over the past five years. Retirement benefits for state employees are funded 75 percent state and 25 percent federal. Therefore, a one-time increase in state expenditures of $36,000 ($48,000 x 75.0%) and a one-time increase in federal expenditures of $12,000 ($48,000 x 25.0%).
- Based on information provided by TCRS, the total lump sum liability of the retirement plan will increase by $97,700 if the salaries of the commissioned officers are reinstated to the prior and higher levels.
- Pursuant to Tenn. Code Ann. § 3-9-103(b), TCRS amortizes any increase to the total lump sum liability of the retirement plan over a 20-year period.

- Pursuant to Tenn. Code Ann. § 8-34-505, TCRS utilizes a 7.5 percent interest rate for discounting any increase in the total lump sum liability of the retirement plan for the purpose of estimating annual costs.
- Assuming a 20-year horizon, a 7.5 percent interest rate, and an increase to the total lump sum liability of $97,700, the annual cost to the retirement system is estimated to be $9,600. Therefore, a recurring increase in state expenditures of $7,200 ($9,600 x 75.0%) and a recurring increase in federal expenditures of $2,400 ($9,600 x 25.0%).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

/rnc